

Message Text

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16

ACTION EA-14

INFO OCT-01 NEA-10 ADP-00 OEP-01 GSA-01 EB-11 INT-08

COME-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

RSR-01 /111 W

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R 150309 Z JUN 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4467

INFO AMEMBASSY BANGKOK

AMEMBASSY COLOMBO

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

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E. O. 11652: N/A

TAGS: EIND

SUBJECT: REACTION TO US TIN DISPOSAL ANNOUNCEMENT

REF: KL 2461

SUMMARY: MALAYSIAN PRESS AND OFFICIALDOM HAVE TENDED REGARD US TIN DISPOSAL DECISION FAVORABLY, AND EVEN TIN INDUSTRY ONLY PASSIVELY DISTURBED. PM'S POSITIVE RESPONSE REFTTEL SET TONE AND RISING TIN PRICE IN PENANG ALSO ACCOUNT FOR THIS REACTION. NEVERTHELESS, ANY DECIDED CHANGE IN CONDITIONS OF TIN MARKET WOULD QUICKLY LEAD TO STRONG PRESSURES ON US TO MAKE ADJUSTMENTS IN DISPOSAL PROGRAM.

1. EMBASSY CANVASSING DURING PAST WEEK INDICATES CONSENSUS OF TEMPERED SATISFACTION WITH US TIN DISPOSAL DECISION. CONVERSATIONS WITH OFFICERS IN EPU, PM'S DEPT., MIN FINANCE, PRIMARY INDUSTRIES, AS WELL AS IN TIN TRADE AND NEWSMEN HAVE SHOWN FAVORABLE IMMEDIATE REACTION TO BOTH FLEXIBILITY
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EVIDENT IN LANGUAGE OF ANNOUNCEMENT AS WELL AS TO LEVEL OF DISPOSALS ENVISAGED. SEVERAL CONTACTS, HOWEVER, VOICE WARNING NOTE THAT AS IMPACT OF US DISPOSALS IS DEPENDENT ON HIGHLY CHANGEABLE MARKET CONDITIONS, ANNOUNCEMENT IMPLIES THAT SUBSTANTIAL DROP IN PRICE WOULD REQUIRE A CUT IN US DISPOSALS. EVEN MILDLY CRITICAL PRESS REACTION GRUDGINGLY ACKNOWLEDGES FLEXIBILITY IN US PROGRAM AND NOTES " DEFERENCE TO APPEALS FROM TIN PRODUCING COUNTRIES" THAT IS EVIDENT IN US ANNOUNCEMENT.

2. IN OUR JUDGEMENT, KEY REACTION IS FROM DATUK CHAN KWONG HON, WHO IS PRESIDENT OF ASSOCIATION OF SMALL- SCALE CHINESE OPERATORS, SAYS HE IS SATISFIED THAT TIN MINES HE REPRESENTS CAN LIVE WITH US DISPOSALS PROGRAM. CHAN AND HIS TIN GROUP WERE PRINCIPAL POINT OF GOM CONCERN AND CHAN HIMSELF THE MOST OUTSPOKEN CRITIC OF US DISPOSAL PROGRAM. WITH CHAN PREDICTING THAT EARLIER US PROGRAM WOULD ELIMINATE HALF OF HIS MINERS, HIS PRESENT STAND IS IMPORTANT MEASURE OF REACTION TO PROGRAM. (EMBASSY IS CONDUCTING DIALOGUE WITH CHAN' S TIN ASSOCIATION IN EFFORT TO DETERMINE BASIS FOR THEIR ASSESSMENT OF DAMAGE FROM DISPOSALS. WHILE DIALOGUE

SO FAR HAS PRODUCED LITTLE MORE THAN OPINIONS, WE HOPEFUL COST AND EMPLOYMENT PRODUCTIVITY DATA MAY EVENTUALLY BE FORTHCOMING).

3. COMMENT: AN ATTITUDE OF REASONABLENESS WAS INEVITABLE IN VIEW OF PM' S REACTION PER REFTEL. MOREOVER, BEHAVIOR OF TIN MARKET SINCE US ANNOUNCEMENT JUNE 6 (PENANG PRICE UP 5 PERCENT FROM M\$637 TO \$668 P/ PICUL) MAKES ANY CRITICISM OF US DISPOSALS AWKWARD AT THE MOMENT. PRICE RISE IS ATTRIBUTED TO TIN CONSUMERS REENTERING MARKET AFTER HOLDING BACK IN ANTICIPATION OF A MUCH LARGER RATE OF US DISPOSALS. WHILE PRICE IS EXPECTED TO SETTLE BACK AS IMPACT OF DELAYED BUYING FADES, CURRENT LOCAL FORECASTS OF MARKET CONDITION AT THAT TIME ARE RESERVED AND BY NO MEANS AS PESSIMISTIC AS A MONTH AGO. DEPT. IS AWARE, HOWEVER, THAT THIS CURRENT AGREEABLE REACTION IS SUBJECT TO REVERSAL OVERNIGHT SHOULD MARKET CONDITIONS CHANGE. IN THIS EVENT, WE CAN EXPECT ENTIRE MALAYSIA COMMUNITY TO CALL ON US FOR REVISION DISPOSAL PROGRAM.

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